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SUBJECT: STAFFDELS MAKOVSKY AND BENAIM'S MEETING WITH MOD
CHIEF OF STAFF HERZOG: GAZA, SMUGGLING, ISRAELI-EGYPTIAN
COOPERATION, WEST BANK SECURITY AND MOVEMENT AND ACCESS

Classified By: Acting DCM Marc Sievers, Reason 1.4 (b) (d)

11. (S) Summary. Congressional Staffdels Makovsky and Benaim, accompanied by PolCouns, met with MOD Chief of Staff BG Mike Herzog July 2. Their discussion covered improved Egyptian counter-smuggling performance, Egypt's efforts to promote Palestinian national reconciliation, the Arab role in the peace process, the performance of Palestinian Authority Security Forces in the West Bank, improvements in West Bank access and movement, and Israeli policy toward Gaza reconstruction. Herzog was unusually forthright in his comments, commending cooperation by the Egyptian General Intelligence Service while criticizing the Egyptian military's reticence. He noted Israeli reservations toward Egyptian efforts to promote reconciliation between Fatah and Hamas, and urged the U.S. to support Abu Mazen's position. On Gilad Shalit, Herzog confirmed that Israel believes he is alive and being held in Gaza, but he denied recent media reports that a breakthrough on a prisoner exchange is imminent. Herzog praised the improved performance and professionalism of the PASF and said the IDF is giving them more space to operate while maintaining overall security responsibility. Herzog complained that PM Fayyad was pursuing a legal campaign charging the IDF with war crimes in Gaza even though the PA leadership had asked Israel to destroy Hamas in Gaza. Herzog stressed the need for the PA to develop a functioning legal system and a "full cycle" of law enforcement, which he estimated would take at least two years. Herzog noted that the IDF had removed twenty-five checkpoints and over 130 roadblocks, so that Palestinians now "feel the change." Regarding Gaza, Herzog admitted a policy dilemma of trying to weaken Hamas while dealing with humanitarian needs. Israeli policy is further complicated by the captivity of Shalit and Hamas' refusal to allow the ICRC to visit him. All the options are bad as long as Hamas controls Gaza, Herzog said, but added that he advocates testing the Serry plan for light reconstruction. End Summary.

Egyptian Counter-Smuggling Efforts Improving

12. (S) House Committee on Foreign Affairs Senior Staffer Alan Makovsky and Senate Committee on Foreign Relations Professional Staff Member Daniel Benaim, accompanied by PolCouns, met with Ministry of Defense Chief of Staff Brigadier General Mike Herzog July 2 in Herzog's office at the Ministry of Defense. Asked for his assessment of smuggling into Gaza, Herzog confirmed that Egypt is doing more to stop smuggling, both in terms of effort and effectiveness. U.S. counter-smuggling equipment is helping in that regard. Nonetheless, arms smuggling has not stopped, and Egypt could do more. Herzog noted that Israel and Egypt had established counter-smuggling working groups following Operation Cast Lead, which were contributing to better coordination. Herzog commented that the Egyptian General Intelligence Service is working closely with the Israelis, but the Egyptian Army is less cooperative. Herzog said Israel would like the U.S. to continue to raise the Army's

reluctance in high level discussions with the GOE, but not publicly. Herzog said the main smuggling families are well known to the Egyptians, and they should do more to go after them directly.

13. (S) Makovsky noted that some say the Bedouins in the Sinai are better armed than the Egyptian security forces. Herzog said that when Egypt has a strong national interest, it is capable of doing what is necessary. This is a matter of priorities, and the U.S. can help by continuing to press the Egyptians to act. Asked what he thought of the theory that Egypt turns a blind eye to smuggling in order to keep Israel off balance, Herzog stated that Egypt has no interest in the emergence of a "militarized entity next door." Herzog said the Al-Qaida presence in Gaza is small and linked to Al-Qaida cells in the Sinai.

Egyptian Promotion of Palestinian Reconciliation

14. (S) Herzog said Israel has trouble understanding why Egypt is pushing so hard for Palestinian national reconciliation. The Israelis are concerned that over time, these efforts are simply widening the division between Gaza and the West Bank. He suggested that the U.S. should support Abu Mazen's position, especially since the Egyptians are applying considerable pressure on him. Asked whether he thought the U.S. was pushing Palestinian national unity, Herzog said he thought the U.S. was quietly backing Egypt's efforts. This was odd since the Israelis know that Abu Mazen does not think the Egyptian proposal is a good one. Hamas wants an oversight committee for the West Bank, not just

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Gaza. Why should anyone help them achieve this goal?

Shalit Negotiations

15. (S) Herzog noted a recent wave of media reports that a deal was in the works for the release of Gilad Shalit in exchange for several hundred Palestinian prisoners. Herzog said the reports, which appeared to have initiated in Egypt, were not true. Egypt is promoting a package deal, including a reconciliation government, new momentum on Shalit's release, and a renewed Tahdiya (calming) agreement. These ideas remain "all theory," however, since the indirect negotiations for Shalit's release have not yet resumed. PM Netanyahu had recently appointed a new negotiator, who would visit Cairo as soon as he is read-in. Herzog confirmed that the GOI believes that Shalit is still alive and is being held in Gaza, but he would not provide further details.

Arab Role in Peace Process

16. (C) Benaïm asked about the GOI's view of bringing the Arabs to the table. Herzog responded that the GOI believes it is important to widen the context beyond Israel and the Palestinians by bringing in the rest of the Arab world. If there is progress in the Arab role, it will help develop Israeli public support for the process. Herzog noted, however, that he did not yet see the Arab contribution. The U.S. wants contributions from Israel, the Palestinians, and the Arabs. Herzog said he questioned the idea that the onus is on Israel alone, since that would only lead the Arabs to sit back and wait for the U.S. to deliver Israel.

PA Security Forces

17. (C) Turning to the performance of the PASF, Herzog agreed they were making good progress. The brigades trained by Lt General Dayton are doing an especially good job in Jenin and Hebron, and they had fought Hamas in Qalqilya. There is a real sense of professional pride emerging among the PASF, but

they are far from having an independent capability. The IDF is giving them more space to operate in the West Bank, including allowing 24-hour operations in four West Bank cities while the IDF retains overall security responsibility.

Herzog said West Bank cities now enjoy law and order. Armed men no longer walk the streets. Herzog said that the Dayton-trained National Security brigades are a small force, adding that the MOD supports Dayton's plan to build a bigger force.

¶18. (S) Herzog complained that Israel is uneasy over PM Fayyad's carrying out a legal campaign in the International Criminal Court to brand the IDF for war crimes in Gaza. This campaign especially rankles because the PA leadership had requested Israel to destroy Hamas in Gaza and had been disappointed when Israel stopped short. Herzog said the Israelis had asked Fayyad to drop the campaign but without result. Even if nothing results from it, it leaves a bad impression, he said.

¶19. (C) Herzog said it was hard to predict how long it would take before the PASF could handle West Bank security on their own. He asserted that much of their success so far is due to Israeli support. They criticize Israel for hitting terrorist cells in Nablus, but the terrorists then turned themselves in to the PA. Herzog estimated that it will take the PA "not less than two years" to develop a complete cycle of law enforcement. The full cycle includes intelligence, arrest, interrogation, trial, sentencing and incarceration. The PA needs a legal system that functions. He complained that many of the Hamas prisoners held by the PA are being released as part of the national dialogue. The current direction is positive, he said, but there is still a lot to be done.

Access and Movement

¶10. (C) Benaïm said that based on his visit, he saw a "real sea change" in freedom of movement in the West Bank. Herzog said that in the past 18 months, the IDF had reduced the number of checkpoints in the West Bank from 41 to 16. It is now possible for an average Palestinian to drive from Jenin to Ramallah without being stopped by Israeli soldiers. In addition to the removal of checkpoints, the IDF has lifted over 130 roadblocks. "People now feel the change," he said, adding that while the IDF and MOD are looking at additional measures, they will not take unnecessary risks.

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Gaza Reconstruction

¶11. (C) Herzog admitted that Israel faces a policy dilemma in Gaza. Hamas is in control and nothing should be done to strengthen it, but there are also real humanitarian needs that must be addressed. After Operation Cast Lead, the GOI decided to open up a bit on the flow of humanitarian assistance but to be more cautious about reconstruction. Shalit's continued captivity and Hamas' refusal to allow the ICRC to see him was also a factor for Israelis. Herzog noted that the MOD frequently had to defend the shipment of humanitarian supplies before the High Court of Justice, since activists for Shalit's release repeatedly petitioned the court to block relief supplies or cash transfers. Israeli public opinion is the real reason the GOI will not allow "luxury" goods through the crossings, only staples. Herzog noted, however, that there is no hunger in Gaza and adequate electricity.

¶12. (C) Pressed on Israel's formula for reconstruction assistance, Herzog said all funds should come through the PA, work should be carried out through recognized international organizations, and it should be project aid only. Israel must ensure that construction materials are used for building schools and not bunkers. Herzog said the guidelines on

importing goods into Gaza were coordinated with Egypt, which follows the guidelines in the deciding which goods to allow to cross through the Rafah Crossing. Herzog admitted that "all the policy options are bad" as long as Hamas controls Gaza. Israel cannot fully open or fully close the crossings, but it is willing to discuss "better calibration." He said the MOD is still studying the Serry plan, adding that he had suggested picking one project and testing it.

¶13. (U) The Staffdels did not have the opportunity to clear this cable.

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